



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2766  
PHONE: (213) 974-8301 FAX: (213) 626-5427

February 18, 2004

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*  
Auditor-Controller

SUBJECT: **SHERIFF'S DEPARTMENT CONTRACTING STATUS REPORT –  
FEBRUARY 2004**

In September 2002, based on concerns with retroactive contracts and other issues, the Board considered no longer allowing the Sheriff (or Department) to perform its own contracting and purchasing functions. In October 2002, the Board accepted the Chief Administrative Officer's (CAO) recommendation to allow the Sheriff to continue to perform these functions with the assistance from the Internal Services Department (ISD) and Auditor-Controller. The Board also approved the Sheriff's corrective action plan to address the Board's concerns.

In December 2002, the Sheriff, CAO, ISD and my office issued a joint report detailing the progress the Sheriff had made to improve their contracting and purchasing functions. In that report, we indicated that we would monitor the Sheriff's progress and report to your Board quarterly. Attached is our third report on the Sheriff's progress in improving its contracting and purchasing functions.

**Scope**

Our review included detailed testwork to determine if the Department's vendor expenditure tracking system is identifying vendors that may need a Board-approved contract. In addition, we tested a sample of purchasing transactions to determine whether Sheriff staff were following County and Department contracting and purchasing procedures. We also followed-up on findings noted in prior reviews. Finally, we interviewed staff and managers from the Sheriff and ISD.

### **Review Summary**

The Sheriff is continuing to make progress in implementing the corrective action plan and is improving its contracting and purchasing operations. For example, to prevent non-agreement service purchases in excess of \$100,000, the Sheriff and ISD have established agreements with 14 frequently-used vendors for the Department's Aero Bureau. The Department is also continuing to improve their compliance with County non-agreement purchasing policies. The Sheriff is issuing violation notices to units that fail to follow County procurement rules and is requiring the units to respond to the notices. The Sheriff has also increased the staffing in its Contracting Unit by filling one vacancy and reallocating resources to fund two additional positions.

However, the Sheriff needs to take further action to fully implement the corrective action plan. The Sheriff has not developed procedures to centrally track specific individuals who violate purchasing policies as we recommended in our July 2003 status report. In addition, the Department is not consistently updating its violation log and had not assigned a backup to the employee who issues, follows-up, and monitors purchasing violations. As a result, purchasing monitoring was not performed during an employee's absence. Details of our findings are attached.

### **Review of Report**

We discussed the results of our review with Sheriff management who indicated general agreement with our findings. Sheriff management stated that they are committed to improving the Department's contracting/procurement operations and that they will continue to work cooperatively with the Auditor-Controller and ISD to bring the Department into compliance with County contracting/procurement policies.

Please call me if you have any questions, or your staff may call DeWitt Roberts at (626) 293-1101.

JTM:DR:MP

Attachment

c: David E. Janssen, Chief Administrative Officer  
Leroy D. Baca, Sheriff  
Dave Lambertson, Interim Director, Internal Services Department  
John Fullinwider, Chief Information Officer  
Violet Varona-Lukens, Executive Officer  
Audit Committee  
Public Information Office

## **Contracting Infrastructure**

### **Sheriffs Corrective Action Plan – Contract Unit Staffing**

The Sheriff's corrective action plan indicated that the Contracting Unit needed to be restructured to bring the Department into compliance with County policies and procedures.

Our July 2003 status report indicated that the Department was waiting for Chief Administrative Office (CAO) approval to promote an individual to fill one vacancy in the Contracting Unit. The Department was still looking for a suitable candidate to fill another vacant position. The Sheriff had also requested 11 additional positions for the Contracting Unit in the Fiscal Year (FY) 2003-04 budget process. Due to budget curtailments, funding for these positions was not identified in the final budget.

### **Current Status**

The Department received CAO approval to promote the employee to fill one of the two vacancies in the Contracting Unit. The Sheriff has also recently identified a candidate for the second vacancy and is awaiting CAO approval to hire that person. The Department was also able to reallocate resources to fund two additional contracting positions. The Sheriff has two employees from other Sheriff's units working in the Contracting Unit until they obtain CAO approval to fill the positions. The Department also plans to resubmit their request for 11 new positions for the Contracting Unit in the FY 2004-05 budget.

### **Additional Actions to be Taken**

The Department should continue to work with the CAO to identify funding for the additional positions.

## **Training Manual and Policies and Procedures**

### **Sheriffs Corrective Action Plan – Manuals and Procedures**

The Sheriff's action plan indicated they would develop a contract training manual and contracting policies and procedures.

In July 2003, we reported that the Contracting Unit had adopted ISD's Countywide Services Contracting Manual as its training/policy and procedures manual. The Sheriff also planned to develop Sheriff-specific contracting policies and procedures to supplement the ISD manual. We also reported that all personnel in the Sheriff's Contracting Unit had attended the County's two-day contract training and that Contracting Unit management was working with ISD to identify areas where additional training should be provided.

### Current Status

To supplement ISD's contracting manual, the Contracting Unit drafted a Sheriff-specific guide for the Department's contracting database. Contracting Unit management finalized and distributed the guide to its employees on January 22, 2004, and plans to develop additional supplemental procedural manuals focusing on Sheriff-specific aspects of the contracting process as needed.

We also noted that the Department has sent the one new employee to the County's two-day contract training. In addition, in September 2003, the Department worked with ISD to provide training for employees on Master Agreement contracts. Contracting Unit staff also received training from the CAO and the Auditor-Controller on Contractual Risk Management and Proposition A Cost Analysis.

### Additional Actions to be Taken

Overall, it appears the Sheriff is taking appropriate actions to train staff and develop policies and procedures. The Sheriff should continue its efforts to develop Sheriff-specific policies and procedures to supplement the ISD contract manual as needed and instruct Department staff on the Sheriff-specific requirements.

## **Contract Tracking System**

### Sheriff's Corrective Action Plan – Tracking Systems

The Sheriff's corrective action plan indicated that they planned to develop a system to track purchase order (PO) expenditures to identify any service purchases in excess of \$100,000 that may require Board-approved contracts. In addition, the Sheriff planned to develop a system to track contract expenditures and termination dates to minimize retroactive contracts.

In our March 2003 report, we noted that the Sheriff had developed and was using the Contract Monitoring Information System (CMIS) to track contract expenditures and termination dates. In addition, the Department developed the Account Threshold Manager (ATM) system to track service purchases to avoid exceeding the \$100,000 limit. During our March and July 2003 reviews, we noted minor discrepancies between CMIS information, the contracts, and the Board letters. Also, in our July 2003 review, we noted CMIS understated expenditures for one of five contracts tested.

### Current Status

- **Contract Monitoring Information System (CMIS)**

We noted the Department corrected the previously reported discrepancies between CMIS information, the contracts, and the Board letters. During this review, we tested three additional contracts and did not note any discrepancies. We also followed up

on the contract with understated expenditures from our July 2003 review and noted that the Department corrected the expenditures in CMIS. We tested the expenditure data for four more contracts and did not note any discrepancies. Therefore, the information on CMIS appears to be accurate.

- Account Threshold Manager System (ATM)

Subsequent to our July 2003 review, the Department began entering expenditure data into the ATM system from FY 2000-01 to the present. We reviewed five service vendors that per ATM were approaching the \$100,000 limit and noted the Department is working to develop Board contracts where appropriate. However, after entering the data into ATM, the Department identified three vendors who had already exceeded the \$100,000 limit. The violations occurred before the Department implemented the ATM system. The Department has appropriately developed a Board-approved contract for one vendor and is working on a contract for a second vendor. The Department does not plan to use the third vendor in the future, and therefore, a contract is not necessary. While the Department has exceeded the \$100,000 limit in these three instances, the Department has taken appropriate actions to develop contracts with two of these vendors. The Sheriff plans to continue using ATM to track purchases to help prevent future violations.

- Countywide Contract Monitoring System (CCMS)

In our July 2003 status report, we indicated that the first phase of the Countywide Contract Monitoring system was operating. In November 2003, the Auditor-Controller and the CAO reported to the Board that the second phase of CCMS had been implemented. Departments are now responsible for updating CCMS online as new contracts are added or deleted.

The Sheriff is currently tracking 33 contracts in CCMS. We noted that the information on CMIS for all of these contracts is current. CCMS guidelines restrict departments from tracking master agreement contracts, revenue contracts, or job order contracting agreements in CCMS. The Sheriff tracks these types of contracts on their CMIS system.

*Additional Actions to be Taken*

The Department should continue their efforts to monitor vendor expenditures and service contracts.

## **Manager Accountability**

### **Sheriff's Corrective Action Plan – Accountability**

The Sheriff's corrective action plan indicated they would improve manager accountability by informing managers of County purchasing guidelines and disciplining managers who violated the guidelines.

In our previous status reports, we indicated that the Department had taken the following actions to improve accountability over contracting and contract monitoring:

- Notified Unit Commanders in writing that they are responsible for complying with County contracting and purchasing policies and are subject to discipline for any violations.
- Updated the Request for Proposals (RFP) Action Plan (now called the Project Action Plan model), which is used by contract analysts in preparing and monitoring the progress of all contract solicitations, to include additional milestones and timeframes for meeting the milestones to help reduce the risk of retroactive contracts.
- Finalized contract file policies specifying the documents and information that must be included in each Board-approved contract file.
- Began holding meetings between contracting staff and project directors and managers.
- Developed procedures for designing a "Contract Monitoring Checklist" for each new Board-approved contract.

Our prior testwork disclosed that some of the contract files were missing some required documents, such as approved Board letters, vendor insurance certificates and contract summary sheets. In addition, we noted certain problems with the Department's procedures for notifying and disciplining staff who violate purchasing guidelines.

### **Current Status**

Since our July 2003 review, the Sheriff has continued their efforts to improve accountability over contracting and contract monitoring. For example, we noted that the Department has developed a program to automate the Project Action Plan model. Once implemented, the automated program will make it easier for Contracting Unit managers to monitor their staff's progress on contracting projects.

We also noted the Contracting Unit continues to hold meetings between contracting staff and project directors and managers to discuss the current status of contracts. Since our last review, the Department has held three "kickoff" meetings for new contracts and held quarterly contract monitoring follow-up meetings for two contracts.

We followed-up on the three contract files that were missing required documents during our July 2003 review and noted the Department had updated two of the files with the missing documents. One contract file is still missing the vendor's insurance certificate, but the Department is following up with the vendor to obtain the form. We tested five additional contract files and noted that one of the five files was also missing the vendor's insurance certificate. The Department is also following up to obtain the insurance form from this additional vendor.

#### *Additional Actions to be Taken*

Overall, the Department's contract file policies appear to be effective. Contracting Unit management should continue their efforts to obtain vendors' insurance certificates to ensure contract files are complete.

### **Centralization of Purchasing Function**

#### *Sheriff's Corrective Action Plan – Purchasing Centralization*

As part of their corrective action plan to strengthen purchasing controls, the Sheriff centralized purchasing approvals by requiring division-level budget staff to approve all non-agreement purchases. In addition, the Sheriff's Accounts Payable (AP) Section now reviews all non-agreement purchases to identify potential purchasing violations and ensure that non-agreement purchases are approved at the division level. When a violation is identified, the AP Section is supposed to issue a violation notice to the chief of the division making the purchase.

During our July 2003 review, we noted that the employee assigned to monitor violation notices and update the violation log went on leave and a backup was not assigned. As a result, the violation log was not up-to-date and the violations were not being monitored. Since our last review, the Department established a Purchasing Compliance (PC) Unit that is now responsible for issuing, following-up on and monitoring the violations identified by the AP Section.

#### *Current Status – PC Unit Staffing*

We reviewed the violation log and noted that it was not updated between October 9, 2003 and November 25, 2003. Management indicated that the employee assigned to issue and follow up on violations was temporarily reassigned to provide purchasing training. As a result, notices on possible violations identified by the AP Section were not issued and the violation log was not updated until the employee returned. The PC Unit indicated they had not been able to assign a backup due to departmental staffing constraints. The Sheriff needs to ensure the PC Unit has adequate support so that notices are sent out for violations identified by the AP Section and that the notices are monitored to ensure the units respond in a timely manner. Department management indicated that subsequent to our review, they assigned back-up personnel in the PC Unit.

### Current Status – Violation Notices

We reviewed the Department's files for nine recent violation notices and noted that for all nine violations tested, the divisions thoroughly explained their investigations of the violations. In addition, the divisions have improved the timeliness of their responses. During our July 2003 review, the divisions were responding to violation notices an average of 26 working days after the two-week deadline. The PC Unit now requires responses within five working days. Our testwork indicates that responses were returned on time for four of the nine violations tested. The responses for the other five notices were received an average of 11 working days after the due date. This is a significant improvement over our prior review.

We did note that for three of the nine violations, the divisions' responses did not indicate the specific corrective actions taken. The Department informed us that the divisions had subsequently responded with the corrective actions taken. However, the PC Unit did not document this in their files or in the violation log. To facilitate monitoring for repeat violations, the Department should ensure that the PC Unit obtains documentation of all corrective actions taken and records the corrective actions in the violation log.

### Current Status – Violator Tracking

In our previous reviews, we recommended that the Sheriff identify and track specific individuals who violate purchasing policies. However, during our current review, we noted that the Department still has not developed procedures to monitor individual violators. Management indicated that multiple employees could be responsible for each violation, including managers of the purchasing staff. Therefore, the PC Unit plans to monitor violations by departmental unit to identify repeat violations made by specific units. However, we continue to believe the Department should track violations by individual employees to ensure that employees can be trained as needed and so the Department can take appropriate disciplinary action where necessary.

### Current Status – Non-Agreement Purchases

In our July 2003 report, we indicated that the Sheriff's new procedures had improved compliance with the County's non-agreement purchasing policies. To determine if the Department has maintained their improvement, we sampled and tested ten recent non-agreement purchases for compliance with County/Department purchasing policy. We also ran reports from CAPS to identify instances where staff may have fragmented purchases to circumvent the Department's delegated authority. We did not note any exceptions. Therefore, the Sheriff has continued to improve their compliance with the County's non-agreement purchasing policies.

### Current Status – Agreement Purchases

In our July 2003 review, we noted instances where the Sheriff had purchased non-agreement items from agreement vendors without obtaining the required price quotes.



The Sheriff's AP Section's review of purchases did not identify these violations because they only performed spot checks of agreement purchases. We also noted that the spot checks were not documented.

During our current review, we noted the AP Section now documents their spot checks on the purchasing documentation and AP supervisors maintain records of the agreement purchases their staff spot checks. In addition, we reviewed five recent agreement purchases and did not note any purchasing violations. However, at the time of our review, we noted that AP Section's spot checks had identified 51 instances where field units purchased non-agreement items from agreement vendors without obtaining price quotes. The PC Unit issued violation notices for these purchases and indicated they are providing more training.

Due to the number of errors the AP Section and the PC Unit are identifying, we believe additional measures are needed to ensure staff comply with agreement purchasing policy. Specifically, the Department should require purchasing staff to verify and document that items to be ordered from agreement vendors are actually covered by the agreement and that staff obtain required bids for non-agreement items before the purchase is approved.

#### Additional Actions to be Taken

As indicated above, Sheriff management needs to:

- Ensure the PC Unit has adequate support, monitors all violation notices, obtains documentation of all corrective actions taken and records the corrective actions in the violation log. As noted earlier, subsequent to our review, the Department indicated that they identified two AP Section employees as back-ups for the PC Unit.
- Identify and track individuals involved in violations centrally so employees can be trained as needed and so the Department can take appropriate disciplinary action where necessary.
- Require purchasing staff to verify and document that items to be ordered from agreement vendors are actually covered by the agreement and that staff obtain required bids for non-agreement items before the purchase is approved.

### **Special Operations Units**

#### Sheriff's Corrective Action Plan – Special Operation Agreements

Based on the specialized services required by some units (e.g., Aero Bureau), the Sheriff indicated they would work with ISD to develop agreements for repetitive purchases.

In our July 2003 report, we indicated that ISD was reviewing the Sheriff's request to establish agreements for the Aero Bureau. The Department indicated they were also working to centralize the evaluation of specialized unit purchases and working with ISD to establish agreements for frequently purchased services and supplies.

*Current Status*

The Department has established agreements with 14 vendors for the Aero Bureau for aircraft parts and repair services.

*Additional Actions to be Taken*

The Department should continue their efforts to establish agreements and/or contracts with frequently used vendors where appropriate.